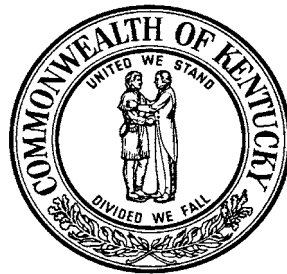


**REPORT OF THE AUDIT OF THE  
JEFFERSON COUNTY, KENTUCKY,  
COMMUNITY ECONOMIC DEVELOPMENT CORPORATION**

**A COMPONENT UNIT OF  
JEFFERSON COUNTY FISCAL COURT  
For The Fiscal Year Ended  
June 30, 2002**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## CONTENTS

## PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET.....	3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES .....	4
NOTES TO FINANCIAL STATEMENTS .....	5
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	15





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Jerry Abramson, Metro Mayor  
Members of the Louisville Metro Government Council  
Honorable Rebecca Jackson, Former Jefferson County Judge/Executive  
Former Members of the Jefferson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the debt service fund and capital projects fund of the Jefferson County, Kentucky, Community Economic Development Corporation (the Corporation), a component unit of Jefferson County Fiscal Court, as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2002, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9, the Corporation has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2003, on our consideration of the Jefferson County, Kentucky, Community Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 16, 2003

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JEFFERSON COUNTY, KENTUCKY,  
COMMUNITY ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2002

	<b>Capital Projects Fund</b>	<b>Adjustments (Note 3)</b>	<b>Statement of Net Assets</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,292,259	\$	\$ 1,292,259
Accrued interest	1,008		1,008
Land held for development	10,781		10,781
Land		327,100	327,100
Building, net of accumulated depreciation		431,884	431,884
Total assets	<u>\$ 1,304,048</u>	<u>\$ 758,984</u>	<u>\$ 2,063,032</u>
<b><u>LIABILITIES</u></b>			
Long-term liabilities:			
Due within one year	\$	\$ 37,500	\$ 37,500
Due after one year		150,000	150,000
Total liabilities	<u>\$ 0</u>	<u>\$ 187,500</u>	<u>\$ 187,500</u>
<b><u>FUND BALANCES/NET ASSETS</u></b>			
Fund balances:			
Reserved for land held for development	\$ 10,781	\$ (10,781)	\$
Unreserved	<u>1,293,267</u>	<u>(1,293,267)</u>	
Total fund balances	<u>\$ 1,304,048</u>	<u>\$ (1,304,048)</u>	<u>\$ 0</u>
Total liabilities and fund balances	<u>\$ 1,304,048</u>		
Net assets:			
Invested in capital assets, net of related debt		\$ 571,484	\$ 571,484
Unrestricted		<u>1,304,048</u>	<u>1,304,048</u>
Total net assets		<u>\$ 1,875,532</u>	<u>\$ 1,875,532</u>

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY, KENTUCKY,  
COMMUNITY ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

For The Fiscal Year Ended June 30, 2002

			<b>Totals</b>		
	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Governmental Funds</b>	<b>Adjustments (Note 3 )</b>	<b>Statement of Activities</b>
<b><u>REVENUES</u></b>					
Land sales	\$	\$ 579,020	\$ 579,020	\$	\$ 579,020
Interest income		16,462	16,462		16,462
Total revenues	\$ 0	\$ 595,482	\$ 595,482	\$ 0	\$ 595,482
<b><u>EXPENDITURES/EXPENSES</u></b>					
Current:					
Cost of land sold	\$	\$ 1,125,480	\$ 1,125,480	\$	\$ 1,125,480
Depreciation				12,458	12,458
Miscellaneous		3,310	3,310		3,310
Debt Service:					
Principal	37,500		37,500	(37,500)	
Interest	9,883		9,883		9,883
Total expenditures	\$ 47,383	\$ 1,128,790	\$ 1,176,173	\$ (25,042)	\$ 1,151,131
Excess (deficiency) of revenues over expenditures	\$ (47,383)	\$ (533,308)	\$ (580,691)	\$ 580,691	\$
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	47,383		47,383		47,383
Excess (deficiency) of revenues and transfers in over expenditures	\$	\$ (533,308)	\$ (533,308)	\$ 533,308	\$
Change in net assets				(508,266)	(508,266)
Fund balances/net assets:					
Beginning of the year		1,837,356	1,837,356	546,442	2,383,798
End of the year	\$ 0	\$ 1,304,048	\$ 1,304,048	\$ 571,484	\$ 1,875,532

The accompanying notes are an integral part of the financial statements.



JEFFERSON COUNTY, KENTUCKY,  
COMMUNITY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. The Corporation

The Jefferson County, Kentucky, Community Economic Development Corporation (the Corporation), a legal corporate entity, was formed by the Jefferson County Fiscal Court (Fiscal Court) to act as its agency and instrumentality in the acquisition and financing pursuant to the Act of Public Projects (within the meaning of the Act) for public purposes, in order to promote economic and community development, employment development, and tourism within Jefferson County. The Corporation is governed by a board of directors composed of five ex officio directors, consisting of the individuals from time to time holding the following offices in the government of Jefferson County: the County Judge/Executive, the Deputy County Judge/Executive, the County Judge/Executive's Business Liaison, the Chief Financial Officer, and the Treasurer.

The Corporation is a blended component unit of Fiscal Court and, as such, has been included in the basic financial statements of Fiscal Court.

Note 2. Summary of Significant Accounting Policies

The basic financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Corporation's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis*, which mandates the new reporting model implemented by the Corporation. The following is a summary of significant accounting policies.

Entity-Wide and Fund Financial Statements – The financial statement presentation for the Corporation includes separate columns reporting a statement of net assets and a statement of activities. These statements present an entity-wide presentation of all activities of the Corporation. Separate fund financial statements are also presented for the governmental funds of the Corporation – the Debt Service Fund and Capital Projects Fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Furthermore, both long term and current assets and liabilities are included in the statement of net assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Corporation considers revenues available for reporting purposes when collected within 60 days. Only current assets and current liabilities generally are included on the balance sheet.

JEFFERSON COUNTY, KENTUCKY,  
COMMUNITY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

The Corporation reports the following governmental funds:

Debt Service Fund

The Debt Service Fund receives transfers from Fiscal Court for debt service payments.

Capital Projects Fund

The Corporation has obtained financing for projects by the issuance of long-term debt. The proceeds from the issuance of such obligations, and proceeds from land sales are deposited into the Capital Projects Fund, from which disbursements are made for development and construction costs.

Cash and Cash Equivalents – Cash and cash equivalents include amounts in demand deposits as well as various short-term investments with an original maturity of three months or less.

Investments – Investments are recorded at fair value based on quoted market values in accordance with Statement No. 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

Land Held for Development – The inventory of land held for development is carried at the lower of cost or net realizable value. Land and development costs are recorded in inventory as incurred and charged to operations as related parcels are sold (consumption method).

Capital Assets – Land, buildings, and other capital assets are recorded at cost in the fund financial statements. Additionally, capital assets are recorded at cost net of accumulated depreciation in the entity-wide statement of net assets. Capital assets are defined by the Corporation as assets with an initial, individual cost of more than \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred for the construction of capital assets is not capitalized.

The Corporation depreciates the building using the straight-line method over the estimated useful life of 40 years.

Estimates – The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

JEFFERSON COUNTY, KENTUCKY,  
 COMMUNITY ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Long-Term Obligations – In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the entity-wide statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Note 3. Reconciliation of Entity-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the entity-wide statement of net assets

The financial statement for the governmental fund balance sheet and statement of net assets includes an adjustments column representing reconciliation between fund balance reported in the fund financial statement and net assets reported in the entity-wide statement. The details of the reconciling items are as follows:

(1) When capital assets (land and building) are to be used in government activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Corporation as a whole.

Cost of capital assets:	
Land	<u>\$ 327,100</u>
Building	\$ 622,909
Accumulated depreciation	<u>(191,025) \$ 431,884</u>

(2) Long-term liabilities applicable to the corporation's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net assets.

Note Payable	<u>\$ 187,500</u>
--------------	-------------------

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the entity-wide statement of activities

The financial statement for the governmental fund statement of revenues, expenditures, and changes in fund balances and statement of activities includes an adjustments column representing a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities reported in the entity-wide statement. The details of the reconciling items are as follows:

JEFFERSON COUNTY, KENTUCKY,  
 COMMUNITY ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 3. Reconciliation of Entity-Wide and Fund Financial Statements (Continued)

(1) When capital assets are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense for the year was \$12,458 and there were no capital expenditures.

(2) Repayment of note principal is reported as an expenditure in governmental funds and thus, has the effect of reducing fund balance because current financial resources have been used. For the Corporation as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Principal payment made      \$    37,500

Note 4. Investments

The Kentucky Revised Statutes (KRS 66.480) and respective bond indentures allow the Corporation to invest in the following types of securities:

Obligations of the United States and its agencies and instrumentalities, including repurchase agreements; obligations backed by the full faith and credit of the United States, United States government agency, or of any corporation of the United States government; certificates of deposit or any other interest bearing account issued by any bank or savings and loan institution which is insured by the FDIC; highly rated uncollateralized certificates of deposit, bankers acceptances, and commercial paper; bonds or certificates of indebtedness of the Commonwealth of Kentucky and its agencies and instrumentalities; highly rated securities issued by the state or local government, or any instrumentality or agency in the United States; and mutual funds which include the above eligible investments.

Investments are categorized into three categories of credit risk:

- (1) Insured or registered, or securities held by the entity or its agent in the entity's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- (3) Uninsured and unregistered, with securities held by the counterparty's trust department or agent, but not in the entity's name.

At June 30, 2002, the Corporation's investments, having a fair value of \$1,292,290, consisted entirely of U.S. Agency Obligation money-market mutual funds, which were not subject to categorization.

JEFFERSON COUNTY, KENTUCKY,  
COMMUNITY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 5. Note Payable

The Corporation has a note payable to a local bank for the acquisition and renovation of the Union Trust Building. Related debt outstanding at June 30, 2002 was \$187,500. The note is payable in annual installments of \$37,500 plus interest at 88% of the prime rate (4.18 % at June 30, 2002) through June 2007. The prime rate was 4.75% at June 30, 2002. The debt is collateralized by the building and by a guarantee of Fiscal Court.

Estimated future debt service requirements, assuming the above interest rate, are as follows:

Payable in Year Ending June 30	Principal	Interest	Total
2003	\$ 37,500	\$ 7,838	\$ 45,338
2004	37,500	6,270	43,770
2005	37,500	4,702	42,202
2006	37,500	3,135	40,635
2007	37,500	1,568	39,068
Total	<u>\$ 187,500</u>	<u>\$ 23,513</u>	<u>\$ 211,013</u>

Changes in the note payable for the year ended June 30, 2002 were as follows:

Balance July 1, 2001	Additions	Debt Payments and Reductions	Balance June 30, 2002	Amount Due within One Year
<u>\$ 225,000</u>	<u>\$ 0</u>	<u>\$ 37,500</u>	<u>\$ 187,500</u>	<u>\$ 37,500</u>

JEFFERSON COUNTY, KENTUCKY,  
COMMUNITY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2002 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 327,100	\$ 0	\$ 0	\$ 327,100
Capital assets, being depreciated:				
Building	\$ 622,909	\$	\$	\$ 622,909
Less accumulated depreciation for:				
Building	(178,567)	(12,458)		(191,025)
Total capital assets, being depreciated, net	\$ 444,342	\$ (12,458)	\$ 0	\$ 431,884
Government-type activities capital assets, net	\$ 771,442	\$ (12,458)	\$ 0	\$ 758,984

Note 7. Administrative Expenses

Fiscal Court provides certain accounting and administrative services for the Corporation at no charge.

Note 8. Transfers In

The Corporation receives transfers from Fiscal Court for debt service payments. During the year, the Corporation received a total of \$47,383 in transfers from Fiscal Court for this purpose.

Note 9. Changes in Accounting Principles and Changes in Prior Year Fund Equity

Changes in Accounting Principles

For fiscal year 2002, the Corporation has implemented GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis*.

GASB 34 creates new basic financial statements for reporting the Corporation's financial activities. The financial statements now include entity-wide financial statements, which are prepared on the accrual basis of accounting and fund financial statements, which are prepared on a modified accrual basis of accounting.

The beginning net asset amount for the Corporation reflects the change in fund balance for governmental funds at June 30, 2001 caused by the conversion to the accrual basis of accounting.

JEFFERSON COUNTY, KENTUCKY,  
COMMUNITY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

Note 9. Changes in Accounting Principles and Changes in Prior Year Fund Equity (Continued)

Restatement of Fund Balance

The transition from governmental fund balances to net assets of the Corporation activities is presented. The net effect on the beginning net assets in the entity-wide financial statements caused by implementation of GASB 34 was an increase of \$346,433. Also, beginning net assets increased to reflect capital assets previously omitted in error. The net effect on the beginning net assets caused by the prior period adjustment was an increase of \$200,009.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Jerry Abramson, Metro Mayor  
Members of the Louisville Metro Government Council  
Honorable Rebecca Jackson, Former Jefferson County Judge/Executive  
Former Members of the Jefferson County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Jefferson County, Kentucky, Community Economic Development Corporation, as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated January 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jefferson County, Kentucky, Community Economic Development Corporation financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County, Kentucky, Community Economic Development Corporation internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 16, 2003

